IN REPLY REFER TO:
COMOMAGINST 5200.1
N4

1 4 JUN 1996

COMOMAG INSTRUCTION 5200.1

Subj: MANAGEMENT CONTROL PROGRAM

Encl: (1) COMINEWARCOMINST 5200.1C

1. Purpose. To adopt enclosure (1) as a Commander, Mobile Mine
Assembly Group instruction.

R. E. SWART
Acting

Distribution:
COMOMAGINST 5216.1Q
List I

DEPARTMENT OF THE NAVY
COMMANDER MINE WARFARE COMMAND
325 FIFTH STREET SE
CORPUS CHRISTI, TX 78419-5032

COMINEWARCOMINST 5200.1C
N62
1 SEP 94

COMINEWARCOM INSTRUCTION 5200.1C

Subj: MANAGEMENT CONTROL PROGRAM

Ref: (a) SECNAVINST 5200.35C
        (b) OPNAVINST 5200.25C
        (c) ALNAV 032/94
        (d) CINCLANTFLTINST 5200.6B
        (e) CNO Management Control Program Manual
            (OPNAV P-09B2-05-92)

Encl: (1) General Information - Management Control Program (MCP)
        (2) COMINEWARCOM Assessable Units (AU's) Inventory
        (3) Vulnerability Assessment Form
        (4) Management Control Review Format
        (5) Material Weakness Report
        (6) Management Control Five-Year Plan Format

1. Purpose. To provide policy and guidance and to assign responsibilities for the Management Control Program (MCP).

2. Cancellation. COMINEWARCOMINST 5200.1B

3. Scope. All Commanders and Commanding Officers are responsible for establishing, monitoring and reviewing internal controls (or management safeguards) for their activities. References (a) through (e) apply. Internal controls are built into the work process to provide reasonable assurance that resources are safeguarded, information is accurate and reliable, laws, regulations, and policies are adhered to and economy and efficiency are achieved. As such, the MCP applies to all programs and functions. It is not applicable solely to the financial management area.

4. Background. The MCP is mandated by Public Law 97-255 and the Federal Managers' Financial Integrity Act (FMFIA) of 1982 and shall be implemented by all Commander, Mine Warfare Command Staff components and subordinate activities. Deploying units are required to meet the objectives of the MCP through their continuous inspection cycle. The MCP is designed to serve as a tool for managers in achieving economy and efficiency and to assist in the prevention of fraud, waste, abuse, and mismanagement of assets.

5. Distinction between the MCP and Local Audit Function/Command Evaluation (CE) Program

    a. The Local Audit Function/CE Program is a process that involves conducting audits/reviews of activity operations by an independent in-house party. The objective is to provide a method for detecting and correcting conditions that could adversely

impact mission accomplishment, command integrity or the economical use of resources. During all audits/reviews, the adequacy of internal controls for the functions under examination is evaluated and, if warranted, recommendations are made to improve internal controls. However, the individuals doing the audits/reviews are not responsible for establishing, maintaining or improving internal controls; these are management responsibilities.

b. The formal MCP is a direct result of the FMFIA. The Act and related supplemental guidance assigns management the responsibility of establishing, maintaining, evaluating, and improving internal control systems for their respective areas of responsibility. The MCP is a manager's self-evaluation rather than an audit/review by an independent party.

6. Definitions

a. Key definitions of terms used in the MCP are contained in enclosure (1), pages 1 and 2.

b. Major Department of the Navy (DON) Functional Categories are described in enclosure (1), pages 3, 4 and 5.

7. Policy. It is the policy of COMINEWARCOM that all staff components and subordinate activities develop, implement, maintain, review, and improve accounting and administrative controls. All commanders and commanding officers will maintain a control-conscious environment and actively involve themselves in ensuring the adequacy of controls by evaluating their internal control systems on an ongoing basis. All levels of management shall comply with the guidelines of references (b), (d) and (e), and this instruction.

8. Procedures. The MCP consists of the following major steps:

a. Organize the Process. The Head of the Activity shall formally designate an MCP Coordinator for the command. This may be, but is not necessarily, the head of Local Audit Function or Command Evaluation Program. The typical duties of an MCP Coordinator are described in enclosure (1), page 6 and a Self-Assessment Checklist for the MCP is contained in enclosure (1), pages 7, 8 and 9.

b. Segment the Activity and Assign Responsibilities. Sub-divide the DON Functional Categories into Assessable Units (AU's) and assign the units to the responsible managers. Enclosure (2) provides the COMINEWARCOM inventory of AU's. Some of the AU's obviously do not apply to all activities and some activities may have AU's other than those shown.

c. <u>Establish Performance Objectives</u>. Merit pay objectives and performance standards of responsible managers shall be established/revised to include performance of MCP responsibilities. These responsibilities should be a separate objective/standard. A sample performance objective is provided in enclosure (1), page 10. This requirement applies to all Senior Executive Service, Merit Pay, and other civilian (non-merit pay) employees with significant management responsibilities. Equivalent military personnel will also be evaluated on the performance of MCP responsibilities.

d. <u>Perform Risk or Vulnerability Assessments (VA's)</u>

(1) <u>Purpose</u>. To provide an initial diagnosis as to the susceptibility of an AU to mismanagement, loss or unauthorized use of resources, erroneous reports or data, illegal or unethical acts and/or adverse or unfavorable public opinion. The result of the VA is a rating (High, Medium, or Low) that is used to set priorities for Management Control Reviews (MCR's) or Alternative MCR's (AMCR's).

(2) <u>Frequency and Scope</u>. VA's will be conducted for all AUs within applicable Functional Categories (note enclosure (2)) at least every five years or more often if circumstances warrant. Assessments should be conducted as soon as possible on new AUs and those that have undergone extensive change.

(3) <u>Responsibility</u>. VA's shall be performed by cognizant managers. Other employees can contribute to the process. However, the accountable manager should develop the ratings. Although auditors and independent reviewers are not to perform the assessments, audit/review and inspection reports or auditor opinions may be used when making rating decisions.

(4) <u>Process</u>. A VA is not intended to be an elaborate and time consuming effort. Use enclosure (3) or NAVCOMPT Form 2283. In completing the form, provide brief rationale for each choice selected. A VA consists of the following major steps:

(a) Analyze the <u>general control environment</u>. This analysis is normally based on the manager's knowledge or opinion.

(b) Analyze <u>inherent risk</u> and the potential risk for waste, loss, unauthorized use or misappropriation.

(c) Perform <u>preliminary assessment of safeguards</u> to judge the existence and adequacy of internal controls in the AU.

(d) Rate the AU in terms of High, Medium or Low vulnerability based on the assessment results. It may appear expedient to assign low VA ratings to avoid performing MCR's.

This negates any benefits that could be achieved from the MCP. Unjustifiably low ratings could become apparent through several means, such as: (1) an audit/review of VA's, (2) routine examinations of functional areas, (3) audit reports, (4) inspections or (5) management recognition of programmatic problems/deficiencies. To demonstrate a high level of integrity, it is important for responsible managers to properly perform VA's and assign ratings based on honest judgments.

        (e) Plan subsequent actions such as MCR's.

      (5) <u>Documentation</u>. Detailed guidance for accomplishing VA's is provided in reference (e). VA worksheets must be signed by the AU Manager conducting the assessment and by the senior manager approving the rating. Documentation supporting VA's shall be retained at least five years, or until updated. This is a turnover item.

    e. <u>Perform Management Control Reviews (MCR's) or Alternative MCR's (AMCR's)</u>.

      (1) <u>Purpose</u>. The purpose of an MCR or AMCR is to examine the adequacy of safeguards designed to prevent or detect the occurrence of losses, errors, or irregularities. If performed in good faith, a review should identify weak, nonexistent, or excessive controls and actions necessary to correct deficiencies. Reviews are documented to provide reasonable assurance that MCP objectives are met.

      (2) <u>Frequency and scope</u>. MCR's or AMCR's shall be conducted on an ongoing basis per your review schedule. Each year, Secretary of the Navy (SECNAV), CNO, or chain of command may designate specific AU's to be reviewed regardless of the VA ratings. The areas chosen are generally based on VA reports, audits, Inspector General findings, or other incidents that cause concern across the Navy or within the command. MCR's or AMCR's shall be conducted on all AU's rated as high during the first two years of the five year cycle and anytime during the cycle for those rated medium. Internal control system tests on AU's rated low may be performed anytime during the five year cycle.

      (3) <u>Responsibility</u>. MCR's are performed by the managers responsible for the internal control system under review. See enclosure (1), page 1 regarding AMCR's.

      (4) <u>Process</u>. Enclosure (4) and reference (e) provide the methodologies for performing an MCR. For AMCR's, complete paragraphs 1, 4c, 5, 6, and 7 of enclosure (4). To document internal control systems tests, complete paragraphs 1, 4c, 5, and 7 of enclosure (4).

(5) <u>Documentation</u>. Documentation shall be retained for each MCR or AMCR. This information shall identify the AU reviewed, management officials who performed each review, the review process and results, and plans for corrective action. Documentation should be retained by the responsible manager at least five years, or until updated. This is a turnover item.

(6) <u>Reporting</u>. Managers performing an MCR, AMCR, or internal control system test shall provide a completed copy of enclosure (4) to the MCP coordinator.

f. <u>Follow-up on Material Weaknesses Report</u>. Activities shall submit a <u>semi-annual</u> report of weaknesses, via the chain of command, to COMINEWARCOM on material weaknesses that cannot be corrected at your activity level. Semiannual reports are due to COMINEWARCOM by 10 January and 10 July respectively. The format for the mid-year report is provided in enclosure (5), attachment A. Due dates will be announced by separate correspondence.

g. <u>Management Control Plan (MCP)</u>. Activities will establish a written MCP using the format shown in enclosure (6). The Plan will cover the fiscal years 1993 through 1997 and will be updated each year. MCR's of high rated AUs are to be scheduled during the first two years of the cycle and be completed by 1 September 1994. Reviews of medium rated AUs can be scheduled during the entire five year period but must be completed by 1 September 1997. In cases where there are no high and medium rated AUs, the senior management official shall select some low rated AUs for MCR's during the five year cycle.

9. <u>Action</u>

a. <u>Heads of Activities</u>

(1) Implement and maintain an effective MCP in your command using the policies and procedures set forth in this instruction and references (a) through (e).

(2) Ensure that all responsible managers actively participate in the MCP and that their participation is evaluated in the performance appraisal process.

(3) Ensure that appropriate training is provided to the responsible managers and MCP coordinators.

(4) Maintain a follow-up system to ensure that planned actions to correct material weaknesses are completed in a timely manner.
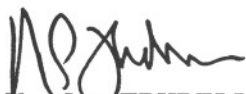
(5) Inspect subordinate activities/detachments for compliance with this instruction.

(6) Submit a semiannual report of weaknesses, via the chain of command, to COMINEWARCOM on material weaknesses that cannot be corrected at your activity level.

(7) Ensure that all appropriate areas, operational and administrative, are included in your five year Management Control Plan. The current five year cycle is FY 93 through FY 97. The DOD functional areas are provided in enclosure (1). Update your five-year MCP at least annually, or more often if required.

M. A. TRUDELL
Deputy and
Chief of Staff

Distribution: (COMINEWARCOMINST 5216.2A)
List A, B, 26G, 26SS, 28G, 28I, 30, 42W
CINCLANTFLT (N1)
CINCPACFLT (N1)
COMNAVSURFLANT (N1)
COMNAVSURFPAC (N1)

GENERAL INFORMATION - MANAGEMENT CONTROL PROGRAM (MCP)

KEY DEFINITIONS

1. Alternative Management Control Review (AMCR). A process which determines whether control techniques are operating properly. This type of process may include computer security reviews, financial system reviews, audits, inspections or investigations, in-house studies, management and/or consulting reviews. Alternative reviews must determine overall compliance and include testing of controls and documentation. An AMCR may be substituted for a Management Control Review (MCR).

2. Assessable Units (AU's). Subdivisions of the DON Functional Categories (note enclosure (1), pages 4, 5 and 6 and enclosure (2)) into major organizational, programmatic or functional entities upon which meaningful Vulnerability Assessments (VA's) and Management Control Reviews (MCR's) or Alternative MCR's can be made.

3. Control Objectives. Provide goals or specific targets that are designed to focus attention on reducing risks associated with an AU. An example is to ensure funds and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.

4. Control Techniques. Methods used to ensure that goals and targets are achieved. Examples are written procedures and strict accountability.

5. Documentation

    a. Permanent records of both the procedures used to conduct VA/MCR or AMCR, and the test results or findings generated.

    b. Must contain sufficient detail to permit reviews by supervisory/management personnel, and oversight groups (e.g., General Accounting Office, Naval Audit Service, SECNAV, CNO, etc.).

6. General Control Environment. Work setting for a program function and associated system of internal controls.

7. Inherent Risk. Potential for loss due to fraud, waste, abuse or mismanagement.

8. Internal Controls or Management Controls. These terms are used interchangeably. They are the safeguards built into a program or function that ensure resources are used as intended and procedures are followed as directed. The goal of which is to achieve the best results at the lowest possible cost.

9. <u>Management Control Review (MCR)</u>. A detailed examination of the internal control system used to safeguard a program or function. The purpose of the review is to determine whether adequate control measures exist, are documented and are functioning as designed. Questions need to focus on whether the controls prevent or detect the occurrence of errors or irregularities in a cost effective manner. Like VA's, these reviews are performed by the managers responsible for the program/function under review. MCR's are also referred to as internal control reviews.

10. <u>Material Weakness</u>. A material weakness exists when a condition results in a relatively high risk of loss, errors or irregularities in relation to the assets or resources being managed. Professional judgment, based on applied common sense, must be used when determining materiality. The factors below should be considered in deciding whether a particular condition represents material weakness.

    a. Actual or potential loss of five percent or more of resources (e.g., property, inventory, personnel, etc.).

    b. Actual or potential loss of two percent or more of sensitive resources (e.g., drugs, materials, munitions (weapons and ammunition), etc.).

    c. Current or probable Congressional or media interest (adverse publicity).

    d. Impaired fulfillment of mission.

    e. Unreliable information causing unsound management decisions (e.g., 10 percent or more which affect timeliness or data error rate).

    f. Violations of statutory requirements.

    g. Systematic deficiencies regardless of the magnitude of resources involved.

    h. Magnitude of funds, property, or other resources involved.

    i. Diminished credibility or reputation of management.

    j. Deprived the public of needed Government services.

11. <u>Vulnerability (or Risk) Assessment (VA)</u>. A management evaluation of the susceptibility of a program or function to loss, unauthorized use of resources, mismanagement, fraud, waste, errors in reports and information, illegal or unethical acts, and/or unfavorable public opinion.

GENERAL INFORMATION - MANAGEMENT CONTROL PROGRAM (MCP)

DOD LIST OF FUNCTIONAL AREAS

1. RESEARCH, DEVELOPMENT, TEST, AND EVALUATION. Encompasses the initial formulation of the requirements for research and development and translation of those requirements into a specific program. Includes reviews of basic and applied research and exploratory, advanced and engineering development. Excludes work in connection with the procurement of such services. Covers the testing phase, including operations of DOD test facilities, and evaluation of test data.

2. MAJOR SYSTEMS ACQUISITION. Covers items designated as major systems, and that are subject to the procedures of the Joint Requirements and Management Board (JRMB), the Military Services Acquisition Review Councils, or of the Selected Acquisition Reporting System.

3. PROCUREMENT. Included in the functional category are the following:

    a. The major procurement mission at the National Inventory Control Points (ICP's) of the Military Departments and the Defense Logistics Agency (DLA). The major procurement mission includes procurement for the wholesale supply system.

    b. The procurement for systems or items while they are in research and development. Includes the procurement of research and development services and the initial buy of an item or system emerging from research and development.

    c. All other procurement actions.

4. CONTRACT ADMINISTRATION. Covers all functions associated with procurement that follow the award of a contract including the management of the administration process, acceptance of and payment of the product or service, and compliance with contractual provisions.

5. FORCE READINESS. Includes the operational readiness capability of combat and combat support (both Active and Reserve component) forces, including analysis of the use of resources to attain required combat capability or readiness level.

6. MANUFACTURING, MAINTENANCE, AND REPAIR. Covers the management, operations, and scheduling of the maintenance and repair function for equipment, materials, and supplies of all commodities, at organizational and field (below depot) levels. Includes major repair (depot level), reconditioning and associated functions, such as the following:

a. Inspection for all commodities and classes of material.

b. In-house and contractor operated manufacturing and production facilities, scheduling systems, and associated quality control functions.

7. <u>SUPPLY OPERATIONS</u>. Encompasses the supply operations at the wholesale (depot and inventory control point) level from the initial determination of material requirements through receipt, storage, issue reporting, and inventory control (excluding the procurement of materials and supplies). Covers all supply operations at retail (customer) level, including the accountability and control for supplies and equipment of all commodities (excluding procurement of material and supplies).

8. <u>PROPERTY MANAGEMENT</u>. Covers actions taken to dispose of property, equipment, and supplies, and the management of activities engaged in disposing of property. Includes construction, rehabilitation, modernization, expansion, improvement, management, and control over real and installed property, and facilities (both military and civil construction). Determines the need, use and disposition of property.

9. <u>COMMUNICATIONS AND/OR INTELLIGENCE</u>. Includes all aspects of management, supervision, and operational control of intelligence and security associated with controlling and safeguarding resources. Covers activities dealing with radio, signal, voice, and visual communication of information over tactical, non-tactical, strategic, or commercial networks.

10. <u>INFORMATION TECHNOLOGY</u>. This area covers the design, development, operation utilization, testing, and security of electronic data processing and other types of management information systems; both automated and manual (including the analysis of requirements for both equipment and software).

11. <u>PERSONNEL AND/OR ORGANIZATION MANAGEMENT</u>. Includes all aspects of managing and training the civilian work force including recruitment, hiring, utilization, development of skills and abilities, provisions of training, separation, and grievances. Excludes the procurement of personnel services under contract and reviews of personnel compensation that are chargeable to other functional areas. Covers the authorization, recruitment, training, assignment, and utilization of military personnel. Excludes the training of military units which are under force readiness.

12. <u>COMPTROLLER AND/OR RESOURCE MANAGEMENT</u>. Covers compensation of military personnel (including administration of leave and allowances), and compensation of civilian personnel (including administration of leave, recording of time worked, and controls over and authorization for overtime and incentive pay). Includes

management of program priorities and shifting of resources; the translation of those priorities into an approved budget, the carrying out of that plan, the overview of the entire process (including separately established program analysis functions related to budget), and all other financial areas otherwise not covered, including those in connection with OMB Circular No. A-76.

13. SUPPORT SERVICES. Includes the various services financed from appropriated funds that are required to support DOD operations, activities, and organizations (excluding reviews of procurement, financing, personnel utilization, etc., which are covered elsewhere). Includes those activities, usually of an MWR nature, which are financed from non appropriated funds (reviews of procurement, personnel, financial management or other functions in connection with nonappropriated funds are included). Includes management and operations of medical, dental, psychiatric, and veterinary activities, the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), and other health care related areas.

14. SECURITY ASSISTANCE. Covers the overall management of programs to compliance and performance at the recipient country of DOD Foreign Military Sales (FMS) and grant aid activities that comprise the Security Assistance Program.

15. OTHER. Includes management and control of all aspects on the use of land, sea, and air transportation for movement of personnel and equipment using both military and commercial sources.

GENERAL INFORMATION - MANAGEMENT CONTROL PROGRAM (MCP)
TYPICAL DUTIES OF MCP COORDINATOR

1.   TYPICAL DUTIES OF A MCP COORDINATOR

    a.   Serves as the activity point of contact for the MCP and advises the Commanding Officer on program status.

    b.   Provides guidance regarding the commencement, completion due dates and reporting of Vulnerability Assessments (VA's).

    c.   Performs a limited review of VA reports and supporting documentation.

    d.   Summarizes and reports the results of VA's when required.

    e.   Performs a limited review of MCR reports and supporting documentation.

    f.   Reports, as necessary, results of MCR's or AMCR's as completed.

    g.   Reviews and distributes to cognizant staff managers' copies of VA/MCR or AMCR reports received from subordinate activities.

    h.   Establishes and maintains a follow-up system to monitor control deficiencies identified by MCR's or AMCR's.

    i.   Provides familiarization training and technical assistance to managers concerning the MCP.

    j.   Maintains records of internal control training received by activity personnel.

    k.   Provides input to Commanding Officer and/or merit pay board concerning manager performance of internal control responsibilities.

MANAGEMENT CONTROL PROGRAM
SELF-ASSESSMENT CHECKLIST

1. The Management Control Program (MCP) should consist of a brief written five year plan which summarizes the Assessable Units (AU's) by risk rating or Vulnerability Assessment (VA) and contains planned and completed Management Control Reviews (MCR's) or Alternative Management Control Reviews (AMCR's).

Ref: (a) DODINST 5010.38
      (b) SECNAVINST 5200.35C
      (c) OPNAVINST 5200.25C
      (d) CNO Management Control Program Manual (OPNAV P-09B2-05-92)
      (e) ALNAV 032/94

MCP CHECKLIST

1. Has the Commander or Commanding Officer Designated a Command/Activity Coordinator? Yes ___ No ___

2. Has the Command properly segmented the command and developed a list of assessable units (AU's) applicable to the command? Yes ___ No ___

3. Does the list of assessable units include both administrative and operational areas? Yes ___ No ___

4. Were all programs and functions included? Yes ___ No ___

5. Does each AU have a responsible manager? Yes ___ No ___

6. Were the risk ratings documented? Yes ___ No ___

7. Are all the AU's rated low at the command? Yes ___ No ___

8. Does the command have a five year plan for conducting MCR's? Yes ___ No ___

9. Does the current five year cycle reflect the cycle designed by DOD? Yes ___ No ___

10. Have some MCR's been conducted each year, regardless of rating? Yes ___ No ___

11. Have all AU's rated high been scheduled for MCR's during the first two years of the current cycle? Yes ___ No ___

12. Are all AU's rated medium scheduled during the remaining three years of the current cycle? Yes ___ No ___

13. Are areas mandated by DOD included in the five year plan?
Yes ___ No ___

14. Are the AU's updated annually and the five year plan updated to reflect latest changes? Yes ___ No ___

15. Review both the report and documentation supporting the results of risk/vulnerability assessments to determine adequacy. (select a sample number of assessments to review)

16. Has the VA been signed and dated by both the performing manager and the appropriate next higher level supervisor?
Yes ___ No ___

17. Are weaknesses identified by the MCR on schedule to be corrected or in the process of being corrected? Yes ___ No ___

18. Have the results of an MCR been tested? Yes ___ No ___

19. Review the Management Control Plan or other documentation to ensure that the plan reflects the results of all assessments and that MCR's or AMCR's are scheduled for all AU's rated high or medium over the current five year cycle.

20. Select at least one MCR to be reviewed for content and supporting documentation to determine adequacy.

21. Have the results of MCR's been signed and dated by both the performing manager and the appropriate next higher level supervisor? Yes ___ No ___

22. Has the Command Coordinator trained managers or solicited training from higher authority? Yes ___ No ___

23. Is the majority of managers knowledgeable of the MCP and understand the purpose of the program? Yes ___ No ___

24. Does the program receive command support? Yes ___ No ___

25. Have procedures for tracking weaknesses been established?
Yes ___ No ___

26. Has the command maintained documentation for MCP accomplishments? Yes ___ No ___

27. Has the command included other command initiatives such as total quality management, special studies, process action teams, etc., to reflect command efforts to maintain effective and cost efficient operations? Yes ___ No ___

28. Are hotline complaints reviewed for determining trends or weaknesses? Yes ___ No ___

29. Are material weaknesses reported semi annually?
Yes ___ No ___

30. Are material weaknesses tracked and follow-up documented until completion? Yes ___ No ___

31. Is the completion of material weaknesses approved by the responsible manager to ensure accuracy and agreement on corrective action? Yes ___ No ___

32. Although an annual certification statement is not currently required by higher authority, does the command document accomplishments and achievements to support compliance?
Yes ___ No ___

This checklist is not considered to be all inclusive, however, it reflects minimum requirements necessary to maintain a successful MCP to serve as a tool for the Commander or Commanding Officer in maintaining an effective and cost efficient organization.

GENERAL INFORMATION - MANAGEMENT CONTROL PROGRAM (MCP)
EXAMPLE OF A MCP PERFORMANCE OBJECTIVE
FOR CIVILIAN AND MILITARY MANAGERS

1. Sample. Demonstrates personal support of and compliance with
the requirements of the Navy Management Control Program.
Establishes, maintains, and reviews internal controls pursuant to
the guidelines of OPNAVINST 5200.25C, OPNAV P-09B2-0592,
CINCLANTFLT 5200.6B, and COMINEWARCOM 5200.1 and annual tasking
by higher authority.

   a. Examples of Performance Measures:

      (1) Demonstrates a positive and supportive attitude
toward internal controls.

      (2) Takes prompt corrective actions on findings and
recommendations made by auditors, inspectors, independent
examiners, and investigators.

      (3) Receives no disclosures by external group(s) of
fraud, waste, or abuse caused by material internal control
weaknesses.

      (4) Performs scheduled Vulnerability Assessments (VA's)
and/or Management Control Reviews (MCR's) or Alternative MCR's
and prepares required reports.

      (5) Establishes and/or documents control objectives and
control techniques for applicable programs/functions.

      (6) Initiates an MCR that has multilocation/command-wide
applicability.

      (7) Receives positive or negative external feedback on
internal control systems.

      (8) Completes some form of Management Control Program
training or indoctrination.

COMINEWARCOM
INVENTORY OF ASSESSABLE UNITS (AU)

FUNCTIONAL CATEGORY	ASSESSABLE UNIT	POC
FORCE READINESS	RESERVE COORDINATOR PROGRAM	N3
	FORCE OPERATIONS	N3
	PLANS	N3
	TACTICS	N3
	EXPEDITIONARY WARFARE	N3
SUPPLY OPERATIONS	VEHICLE CONTROL	N1
PROPERTY MANAGEMENT	PLANT/MINOR PROPERTY	N4
COMMUNICATIONS, SECURITY, INTEL	CLASSIFIED MATERIAL SECURITY	N1
	PHYSICAL SECURITY	N1
	SSO ADMINISTRATION	N2
	COMMUNICATIONS SECURITY - PHYSICAL SECURITY	N6
	COMMUNICATIONS SECURITY - OPERATIONS SECURITY	N6
	COMMUNICATIONS SECURITY - FIRE PROTECTION (CLASSIFIED MATERIAL)	N6
	COMMUNICATIONS SECURITY-CRYPTOGRAPHIC MATERIALS SECURITY (CMS)	N6
	COMMUNICATIONS SECURITY - INFORMATION & PERSONNEL SECURITY	N6
INFORMATION TECHNOLOGY	AIS SECURITY	N6
	AIS LIFE CYCLE MANAGEMENT	N6
	AIS INVENTORY\UTILIZATION MANAGEMENT	N6
PERSONNEL ORGANIZATIONAL MGMT	COMMAND MANAGED EQUAL OPPORTUNITY	N6
	TIME AND ATTENDANCE	N4/N8
COMPTROLLER/RESOURCES MANAGEMENT	BUDGET/ACCOUNTING	N4
	MATERIAL & SERVICES PROCUREMENT	N4
	TELEPHONE CONTROL	N4
	TRAVEL ADMINISTRATION	N1/N4
	CREDIT CARD ADMINISTRATION	N4
SUPPORT SERVICES	MAIL MANAGEMENT	N1
	INVESTIGATIONS	N1
	WARDROOM MESS	N5
	MORALE, WELFARE AND RECREATION	N5

VULNERABILITY ASSESSMENT FORM
DETAILED INSTRUCTIONS ON BACK
ON SEPARATE SHEET PROVIDE BRIEF RATIONALE FOR EACH CHOICE SELECTED

1. ACTIVITY:	2. DEPARTMENT/CODE:

3. FUNCTIONAL CATEGORY:	ASSESSABLE UNIT (AU):

		Choice	Value		Choice	Value
GENERAL CONTROL ENVIRONMENT	4. EMPHASIS ON INTERNAL CONTROLS:			7. ADEQUACY OF CHECKS AND BALANCES:		
	► MAJOR EMPHASIS		1	► NOT APPLICABLE		0
	► MODERATE EMPHASIS		3	► ADEQUATE		1
	► MINOR EMPHASIS		5	► NEEDS IMPROVEMENT		3
	5. COVERAGE BY WRITTEN PROCEDURES:			► REQUIRED BUT TOTALLY LACKING		5
	► SPECIFIC GUIDANCE W/LITTLE OR NO DISCRETION.		1	8. ADP USED FOR REPORTING OR OPERATIONAL DATA:		
	► FLEXIBLE GUIDANCE W/SIGNIFICANT DISCRETION..		3	► NOT APPLICABLE		0
	► NO WRITTEN PROCEDURES		5	► DATA RELIABLE (TIMELINESS, ACCURACY) AND SECURITY ARE SATISFACTORY		1
	6. SPECIFYING GOALS, MEASURING ACCOMPLISHMENTS:			► DATA RELIABILITY OR SECURITY NEEDS SOME IMPROVEMENT		3
	► NOT APPLICABLE		0	► DATA RELIABILITY/SECURITY IS A MAJOR PROBLEM		5
	► GOALS/OBJECTIVES FORMALLY EST AND MONITORED.		1	9. PERSONNEL RESOURCES:		
	► GOALS/OBJECTIVES USED INFORMALLY OR W/LITTLE FOLLOW-UP		3	► ADEQUATE NUMBER OF QUALIFIED PERSONNEL		1
	► GOALS/OBJECTIVES NEEDED, BUT NOT ESTABLISHED		5	► ADEQUATE NO. OF PERSONNEL; SOME TRNG REQ'D..		3
				► INSUFFICIENT NO. OF PERSONNEL OR MAJORITY OF STAFF LACKS QUALIFICATIONS OR NEEDED TRNG...		5

		Choice	Value		Choice	Value
ANALYSIS OF INHERENT RISK	10. PROGRAM ADMINISTRATION:			15. TYPE OF TRANSACTION DOCUMENT:		
	► DON ONLY		1	► NON-CONVERTIBLE TO CASH OR BENEFIT		1
	► JOINT SERVICE		3	► CONVERTIBLE TO SERVICES ONLY		3
	► 3RD PARTY (CONTRACTOR) HEAVY INVOLVEMENT....		4	► DIRECTLY CONVERTIBLE TO CASH		5
	► 3RD PARTY (CONTRACTOR) TOTAL INVOLVEMENT....		5	16. INTERVAL SINCE MOST RECENT EVAL OR AUDIT:		
	11. SCOPE OF WRITTEN AUTHORITY:			► WITHIN LAST 9 MONTHS		1
	► PRECISE		1	► BETWEEN 9 AND 24 MONTHS		3
	► CLARIFICATION REQUIRED		3	► MORE THAN 2 YEARS		5
	► NO WRITTEN AUTHORITY		5	17. RECENT INSTANCES OF ERRORS, IRREGULARITIES:		
	12. AGE/STATUS OF PROGRAM:			► NONE IN THE LAST 18 MONTHS		1
	► RELATIVELY STABLE		1	► SIGNIFICANT FINDINGS/KNOWN ERRORS CORRECTED.		3
	► CHANGING		3	► SIGNIFICANT FINDINGS/KNOWN ERRORS UNRESOLVED		5
	► NEW OR EXPIRING WITHIN 2 YEARS		5	18. ADEQUACY OF REPORTS:		
	13. EXTERNAL IMPACT OR SENSITIVITY:			► ACCURATE AND TIMELY		1
	► NOT APPLICABLE		0	► SOMETIMES INACCURATE, INCOMPLETE, OR LATE...		3
	► LOW LEVEL		1	► USUALLY INADEQUATE AND LATE		5
	► MODERATE LEVEL		3			
	► HIGH LEVEL		5	19. TIME CONSTRAINTS:		
				► NOT A SIGNIFICANT FACTOR IN OPERATIONS		1
	14. INTERACTION ACROSS ORGANIZATIONS:			► OCCASIONALLY A FACTOR		3
	► EXCLUSIVE TO ONE OFFICE		1	► A SIGNIFICANT DAILY FACTOR		5
	► WITHIN TWO FUNCTIONAL OFFICES		3			
	► MORE THAN TWO FUNCTIONAL OFFICES		4			
	► INVOLVEMENT WITH OUTSIDE ORGANIZATIONS		5			

					SCORE ▼
ASSESS	20. ASSUMED EFFECTIVENESS OF EXISTING CONTROLS:			21. OVERALL VULNERABILITY ASSESSMENT: ► LOW ☐ (LESS THAN 27) ► MEDIUM ☐ (27-34) ► HIGH ☐ (MORE THAN 34)	
	► CONTROLS ADEQUATE		1		
	► LESS THAN ADEQUATE		3		
	► NO EXISTING CONTROLS/COSTS OUTWEIGH BENEFITS		5	22. MCR RECOMMENDED: ☐ YES ☐ NO	

COMMENTS	23.

24. VA CONDUCTED BY:	TITLE:	DATE:

25. VA APPROVED BY:	TITLE:	DATE:

COMINEWARCOM
INVENTORY OF ASSESSABLE UNITS (AU)

Assessable Unit	Responsible ACOS
Mail Management	N1
Investigations (i.e., Hotlines)	N1
Vehicle Control	N1
Physical Security	N1
Classified Material Security	N1
Travel Administration	N1
Special Security Operations (SSO) Admin	N2
CIVPERS: Time & Attendance Reporting	N02R
Material & Services Procurement	N4
Property Management	N4
- Hand Tools	
- Minor Property	
- Plant Property	
Comptroller or Resource Management	N4
Credit Card Administration	N4
Telephone Control	N4
Wardroom Mess	N5
Command Managed Equal Opportunity	N5
Morale, Welfare and Recreation (MWR)	N5
Cryptographic Materials Security (CMS)	N6
ADP Security	N6
AIS Development (Equipment Inventory)	N6
ADP Life Cycle Management	N6
ADP Training	N6
ADP Equipment Utilization	N6
ADP Systems Development	N6
Communications: Physical Security	N6
Communications: Operations Security	N6
Communications: Fire Protection	N6
Communications: Information & Personnel Sec.	N6

COMPLETING THE VULNERABILITY ASSESSMENT FORM

Mark the blocks which come closest to describing the program/function/activity being assessed.

1. **Activity**. Enter the activity/command conducting the VA.

2. **Dept. Code**. Enter your organization code.

3. **Program/Function/Activity**. Enter major DON category and assessable unit under evaluation.

GENERAL CONTROL ENVIRONMENT. Blocks 4-9 cover some of the organizational, procedural, and operational factors which can have an impact on the effectiveness of internal controls.

4. **Emphasis on Internal Controls**. Select one of the following:
    Major Emphasis. Internal controls are considered in the planning and operations of functions and programs at each level within the organization.
    Moderate Emphasis. Controls are considered in one or more of the following: evaluation of operations, performance appraisal, and external requirements.
    Minor Emphasis. There is little evident consideration of internal controls at most levels within the organization.

5. **Coverage by Written Procedures**. The basic issue is whether there are written procedures for employees to follow within the general rules and how much discretion is allowed. Usually, the more discretion allowed, the more potential for abuse. An example involving no discretion would be the time and attendance system; allocation of staffing or budgeting resources would represent significant discretion.

6. **Specifying Goals and Measuring Accomplishments**. Establishing program and budgeting goals provides an office and the employees with benchmarks for measuring accomplishments. When these goals are not established, reviewed periodically, updated, and disseminated to employees, successful achievement is less likely.

7. **Adequacy of Checks and Balances**. Checks and balances are utilized so that authority for certain functions is shared among two or more employees or organizational levels to minimize the potential for waste, fraud, abuse, or mismanagement. Determine first if checks and balances are appropriate; and if so, are they adequate to protect the resource from manipulation, misappropriation, etc.

8. **ADP Used for Reporting or Operational Data**. Many activities are highly dependent on ADP for either operations or providing data or information on which management decisions are made. While use of ADP can save time, there are issues of reliability and security which are particularly important when the use of automated equipment is involved. If ADP is not used for the unit assessed, check the "not applicable" box.

9. **Personnel Resources**. Select the choice which best depicts both the number of needed personnel available to perform the activity and the extent to which these personnel are adequately qualified and trained.

ANALYSIS OF INHERENT RISK. Blocks 10-19 deal with the function's inherent potential for waste, fraud, abuse, or mismanagement.

10. **Program Administration**. An important factor in determining the vulnerability of a particular program is the extent to which DON internal control mechanisms can effectively monitor and influence program operations. If another service/contractor has significant responsibility for program administration, inherent risk is greater.

11. **Scope of Written Authority**. Select one of the following:
    Precise. Governing legislation or regulations and/or delegations of authority clearly establish the amount of authority and discretion vested in program officials.
    Clarification Required. Amount of authority and discretion is not clearly established.
    No Written Authority. There is no written delegation or other official documentation establishing the limits on administering a program or function.

12. **Age/Status of Program**. A program or assessable unit which has relative stability over a period of years with the same fundamental mission can be potentially less vulnerable because procedures for administering its resources have been worked out and in place to a greater degree. Major new responsibilities or legislative changes can introduce greater potential for risk, as can situations involving phase out (expiration) or a new program.

13. **External Impact or Sensitivity**. Select one of the following:
    Not Applicable. No external impact or sensitivity.
    Low level. Total number of individuals or organizations affected are relatively small.
    Moderate level. The program serves or impacts a moderately sizable number of individuals or organizations external to the activity.

High level. Significant impact or sensitivity due to high degree of interest and potential influence of the program by external organizations. This situation exists when program managers must continuously consider the external impact of the program operations.

14. **Interaction across Organizations**. The greater the number of activity offices or outside organizations involved in carrying out the processes of a program or function, the greater the risk of error. Select one of the following:
    Exclusive to One Office. (e.g., classification, telephone, change requests)
    Within Two Functional Offices. (e.g., procurement requests)
    More than Two Functional Offices. (e.g., proposed policy directives, clearance of regulations, information collection)
    Involvement with Outside Organization. (e.g., interagency agreements, professional organizations or systems which involve more than one agency; i.e., payroll or administrative payment systems)

15. **Type of Transaction Document**. An instrument is a document utilized in the approval/disapproval of execution phases of a process. The base issue is the convertibility of instruments to cash or things suitable for personal benefit. Many instruments can be converted to personal use. Select one of the following:
    Non-convertible Instruments. Memoranda and letters indicating a determination or approval. These are records of transactions and cannot be exchanged for cash or services.
    Convertible to Service Only. Numbered items convertible to services, not cash (e.g., government meal tickets, GTRs).
    Directly Convertible to Cash. Negotiable items: salary checks, checks received by the activity, imprest fund vouchers, etc.

16. **Interval since Most Recent Evaluation or Audit**. The longer the interval between systematic operational reviews, the greater the likelihood that system or operational errors will go undetected. It is important, therefore, that all control systems undergo periodic audits/reviews/evaluations to detect errors and initiate improvements. Indicate in block 16 the length of time passed since the last audit or evaluation, then list in block 23 the title, review and date of any reviews or audits of program/function/activity during the previous 24 months.

17. **Recent Instances of Errors or Irregularities**. Recent errors or irregularities are indications of either a lack of internal controls or ineffectiveness of existing ones. Further, the speed with which these errors are corrected can be an indication of management commitment to minimizing opportunities for waste, fraud, abuse, and mismanagement.

18. **Adequacy of Reports**. The accuracy and timeliness of normal recurring reports (particularly financial reports) are good indicators of a well-run operation.

19. **Time Constraints**. To the extent that an activity must operate under severe time constraints, the ability to produce work of consistent quality is reduced. Such constraints generate a powerful inducement to end run system of internal control.

PRELIMINARY ASSESSMENT OF SAFEGUARDS

20. **Assumed Effectiveness of Existing Controls**. Select one of the following:
    Controls Adequate. If control improvements are required, they are of a minor nature.
    Less than Adequate. Controls in need of more than minor revisions or improvements.
    No Existing Controls or Costs Outweigh Benefits. Indicates the need for establishing internal controls or instances where costs unquestionably exceed the benefits derived from controls.

21. **Overall Vulnerability Assessment**. To arrive at the overall assessment rating, add up the numerical values assigned to the blocks checked and compare the sum with the ranges indicated next to the Low, Medium, and High ratings.

22. **MCR Recommended?** In most cases, if you have marked a High overall VA on block 21, you should indicate "Yes." If there is a reason you feel that an MCR need not be conducted in a highly vulnerable area, provide details under block 23. The conduct of MCRs in Medium or Low vulnerability areas should be in consonance with guidance issued by superiors in the chain of command. Use block 23 to provide clarification for not performing MCRs in Medium and Low areas (e.g., not required by HQ component guidance).

23. **Comments**. Provide additional detail concerning responses in other blocks and any other information you feel is relevant.

24. **VA Conducted by**. This form should be signed and dated by the person who made the assessment and completed the form.

25. **VA Approved by**. The management official who approves this assessment should sign and date the form. Normally, this official would be the supervisor of the individual who made the assessment.

MANAGEMENT CONTROL REVIEW FORMAT

NOTE: Refer to CNO MCP Manual (OPNAV P-09B2-05-92), Pages 2.11-
2.15 for amplification.
For AMCR's, complete paragraphs 1, 4c, 5, 6, and 7.
For internal control systems tests, complete paragraphs 1,
4c, 5, and 7.

1.   Identify General Information

   a.   Assessable Unit (AU): _____

   b.   Responsible Organization Code: _____

   c.   Interested Organization Code: _____

   d.   For AMCR describe Type of Review: _____

2.   Review Results of the Risk or Vulnerability Assessment.
Briefly note specific areas of concern identified by the most
recent risk or vulnerability assessment (VA) - attach a copy.
Consider subsequent audits, reviews, inspections, or
investigations of the AU for additional areas of concern.   Note
specific concerns in the appropriate areas below:

   a.   Environment:

_____

_____

_____

   b.   Risks:

_____

_____

_____

   c.   Safeguards:

_____

_____

_____

 d. Areas not covered in (a-c):

_____

_____

_____

3. <u>Describe Functional Responsibilities</u>

 a. Describe the functions and responsibilities associated
with the AU as related to your command or activity.

           <u>Function</u>   <u>Responsibilities</u>

 _____   _____
 _____   _____
 _____   _____

 b. List Applicable AU   Available   Current?   Adequate?
     Guidance:instruction/ locally?   Y/N   Y/N
           notices, SOP's
     organizational
     manuals, etc.

     _____   _____   _____   _____
     _____   _____   _____   _____
     _____   _____   _____   _____

 c. Amplify any negative responses:

_____

_____

_____

4. <u>Describe How the Function is Accomplished</u>

 a. Identify the steps/actions taken to accomplish the
function(s) of the AU (include inputs, processes, and outputs).

     (1) If these steps/actions are delineated in
organizational manuals, SOP's, etc., simply identify the
appropriate guidance.

_____

_____

_____

(2) If guidance is not available or current, summarize the steps/actions in not more than one page. As necessary, attach separate page for this purpose (flow chart is recommended).

_____
_____
_____

b.   Identify risks associated with AU. What can go wrong:

_____
_____
_____

c.   Identify controls used to reduce or minimize risks which may impact the AU:

_____
_____
_____

5.   <u>Determine if responsibilities are being accomplished</u>

a.   To test the effectiveness of AU controls identified in 4c, select a representative sample of transactions, reports, documents, etc. Test techniques should include, but are not limited to the following:

(1) Review: Examine the sample for accuracy, completeness, timeliness, appropriate approving signatures, and applicable supporting documents.

(2) Observe: Observe the performance of each step to determine if procedures and controls are being adhered to.

(3) Interview: Talk with the personnel directly involved with the AU to determine their awareness of procedures, responsibilities, and controls. This testing technique should be used only to supplement other testing.

b.   Another method of testing is to prepare and submit test documents to determine the effectiveness of controls. These documents could contain incomplete and inaccurate data, and either a fictitious or inappropriate authorizing signature.

c.   When applying test techniques, remember to consider the results of the risk or vulnerability assessment which may have highlighted inadequate or excessive controls (provide details in 5d.

d. Summary of control tests performed.

(1) Results from testing the veracity of transactions, reports, documents, etc.

Transaction/report/document tested	Results
_____	_____
_____	_____
_____	_____
_____	_____

(2) Results from observing the adherence of steps/actions to prescribe procedures and controls.

Step/action tested	Results
_____	_____
_____	_____
_____	_____
_____	_____

(3) Results from interviewing personnel involved with the AU.

Personnel Interviewed	Degree of awareness of procedures, responsibilities, and controls associated with the AU
_____	_____
_____	_____
_____	_____
_____	_____

e. Status of control(s) tested.

Control tested	None	Weak	Adequate	Excessive
_____				
_____				
_____				
_____				

6. <u>Report Review Results</u>

a. Provide information in (b) and (c) below for weaknesses identified in steps 3, 4, and 5 above. Make sure to include:

(1) Corrective actions to be taken to address weak or excessive controls.

(2) Actions taken to address risks without corresponding controls.

b. Weakness noted within your area of responsibility	Actions required to correct weakness	Completion date (estimated)
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

c. Weakness noted outside your area of responsibility	Responsible Manager	Weakness with support documentation provided to responsible party (Y/N)
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

d. The GAO internal control standards are satisfied by the internal controls now established for the AU: Yes _____ No _____

(Refer to pages 1.3 - 1.5 of the CNO MCP Manual).

Explain negative response:

_____
_____
_____

7. <u>Identify who performed and who approved the review or tests.</u>

a. Individual who performed the review or tests.

Conducted by: _____
Signed: _____
Title: _____ Date: _____

b. At least next higher supervisor with overall responsibility for AU.

Approved by: _____
Signed: _____
Title: _____ Date: _____

SEMI-ANNUAL MATERIAL WEAKNESS REPORT

1. Reporting Activity UIC: _____

2. Functional Category: _____

3. Assessable Unit: _____

4. Title of Weakness: _____

5. Source Employed to Identify Material Weakness: _____
    (MCR, AMCR, Internal Review finding, Naval
    Audit Service finding or other)

6. Origin and Description of Material Weakness:

    a. Origin (Identifies where the weakness was found. This may
        be a department or division, or detachment.)

        _____
        _____

    b. Description. (Brief explanation as to what the weakness is).

        _____
        _____

7. Corrective Action: _____
                        _____
                        _____

8. Completion Date(s): _____
                         _____

MANAGEMENT CONTROL PLAN ANNUAL REPORTING CYCLE
AS OF 1 SEPTEMBER 19___

ASSESSABLE UNIT	RISK RATING	FISCAL YEAR PLANNED FOR COMPLETION					COMPLETED (Y)/(N)	MATERIAL WEAKNESS (Y)/(N)
		1993	1994	1995	1996	1997		

TOTAL NUMBER OF ASSESSABLE UNITS _____